Mr. CAREY. Since the Federal Government will be paying the fees, is it possible that we could use an option such as this, that the Federal Government might reimburse the State up to, say, 1 percent or 1 percent in a given year where the State was unable to attract enough lenders into the program or where the portfolio in the lenders' hands was not sufficiently attractive to commit more of his assets, that we could use this 1 percent on the outstanding amount in a given year as an inducement to be used by the State to get its institutions in the program? Would this be acceptable?

Mr. MURPHY. I think as it is implied in this testimony, it is more or less of a formula where it could be demonstrated that an institution, and it is going to vary across the Nation, is not getting a return——

Mr. CAREY. If a State has enough lending institutions to do the job, they are meeting the demand and requirement, then the $35 fee becomes a bonus that is not necessary. But if the experience in the estimate of the Federal officials of the State is a straining for money and there are not sufficient assets in the institutions to make the loans, then is it not possible to give the institution some inducement in terms of a percentage of the outstanding at the end of the given loan program could be used as an inducement?

Mr. MURPHY. Absolutely. I think it is a workable plan. It is a motivator.

Mr. CAREY. To stimulate it in the areas where the lending is not sufficient to meet the need.

Mr. MURPHY. It would provide something over and above just the 6 percent to offset the operating expense that they do have and thereby making it more competitive with the loans we do make.

Mr. CAREY. It could be used in a year where money is tight but it would not obtain in a year where interest rates are more attractive instead of this flat $35 conversion which would apply whether money is available or not?

Mr. MURPHY. That is right.

Mr. CAREY. Thank you, Mr. Murphy.

Mr. BRADEMAS. Thank you, Mr. Murphy. We appreciate your coming to testify.

(The document referred to follows:)

STATEMENT BY ROBERT J. MURPHY, JR., PRESIDENT, KNICKERBOCKER FEDERAL SAVINGS & LOAN ASSOCIATION, ON BEHALF OF THE NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS

Madam Chairman and members of the Special Subcommittee, my name is Robert J. Murphy, Jr. I am President of Knickerbocker Federal Savings and Loan Association of New York, New York. It is my privilege to appear today on behalf of the National League of Insured Savings Associations, a nationwide trade association serving the savings and loan industry.

Our members would like to be more active in the field of making loans for vocational, college and university education. As noted by the President in his Special Message on Education delivered to the Congress on February 5, 1968, it is highly desirable in the public interest that work continue toward achieving what he called the Fifth Freedom—freedom from ignorance. The savings and loan industry wants to do its share toward breaking down the barriers of deficient income that deprive many worthy and talented potential students of the practical opportunity to obtain an education that will enable them to contribute more fully to the development of our nation—whether that education be vocational or collegiate in nature. I think it is axiomatic that ever-